

SELLING ASSETS TO AVOID A CONFLICT OF INTEREST

SELLING ASSETS

When must an employee sell an asset?

- When holding the asset will interfere with the employee's ability to perform official duties. A Federal employee may not work on any matter affecting a company in which the employee (or the employee's spouse or dependant child) owns stock, unless it is publicly-traded and less than \$15,000. If an employee is required to work on a matter affecting a company, the employee may be required to sell stock held in that company.

Can economic costs from a sale be reduced?

- yes, an employees may defer Federal taxes on capital gains received.

How are taxes deferred?

- To defer taxes an employee:
first: gets a Certificate of Divestiture
then: within 3 months, divests the conflicting interest
then: within 60 days, reinvests the proceeds into:
 - U.S. Government securities or
 - diversified investment funds; taxes are due when these are sold.

CERTIFICATES OF DIVESTITURE

What is a Certificate of Divestiture?

- A Certificate of Divestiture is confirmation by the U.S. Office of Government Ethics (OGE) that an asset was sold to avoid a conflict of interest. It permits deferral of Federal taxes on capital gains from the sale, if certain conditions are met. An employee may seek a certificate through the Ethics Law and Programs Division of the Office of the General Counsel.

Are Certificates of Divestiture available for all sales that result from a conflict of interest?

- No. A Certificate of Divestiture *will not*:
 - apply to a sale made before the certificate was issued and *will not*
 - be issued for an asset that created a conflict of interest when originally obtained by the employee.

Who can provide further tax advice?

- The Internal Revenue Service or a tax advisor can provide further guidance on the applicable tax law (Section 1043 of the Internal Revenue Code).

Ethics Law and Programs Division, Office of the Assistant General Counsel for Administration, United States Department of Commerce

202-482-5384 – ethicsdivision@doc.gov – January 2, 2008

A WORD ABOUT ETHICS